

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

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5 ROBERT TRENT JONES II, INC., and ) No. 07-4913 SC  
6 ROBERT TRENT JONES LICENSING GROUP, )  
LLC,  
7 Plaintiffs, ) ORDER DENYING  
v. ) PLAINTIFFS' MOTION  
8 ) FOR PRELIMINARY  
9 GFSI, INC., d/b/a GEAR FOR SPORTS, ) INJUNCTION  
INC., )  
10 Defendant. )  
11 )

## I. INTRODUCTION

14 Plaintiffs Robert Trent Jones II, Inc. and Robert Trent Jones  
15 Licensing Group, LLC ("Plaintiffs" or "RTJ2") brought this suit  
16 against Defendant GFSI, Inc. ("Defendant" or "GFSI") asserting  
17 claims for fraudulent misrepresentation, negligent  
18 misrepresentation, breach of contract, unfair competition in  
19 violation of the California Business & Professions Code, and  
20 numerous violations of the Lanham Act, 15 U.S.C. § 1051, et seq.  
21 See Compl., Docket No 1. Plaintiffs brought the instant motion  
22 seeking a preliminary injunction pending final resolution of the  
23 matter at trial. See Notice of Mot. & Mem. of P. & A. in Support  
24 of Pls.' Mot. for Prelim. Inj. ("Motion"), Docket No. 11. GFSI  
25 opposed the Motion, and Plaintiffs replied. See Docket Nos. 36,  
26 39. The parties also submitted numerous declarations in support  
27 of their positions, and appeared before the Court for an  
28 evidentiary hearing on the Motion. Having considered all of the

1 arguments and evidence submitted, the Court DENIES Plaintiffs'  
2 Motion for the reasons set forth below.

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4 **II. BACKGROUND**

5 Robert Trent Jones, Jr., is a world-renowned golf course  
6 architect and Chairman of the design firm bearing his name, Robert  
7 Trent Jones II, LLC. Jones has been designing golf courses for  
8 more than forty years, and has received numerous awards and  
9 accolades for his work. Plaintiffs manage the rights to Jones's  
10 name, trademarks, and rights of publicity. GFSI designs,  
11 manufactures, and distributes sportswear and other apparel.

12 In 2004, Plaintiffs and GFSI entered into an agreement  
13 pursuant to which GFSI would manufacture and distribute apparel  
14 bearing Plaintiffs' trademarks ("RTJ Marks"). See Def.'s Ex. 1,  
15 Intellectual Property Licensing Agreement ("Agreement").<sup>1</sup> Prior  
16 to entering the relationship with GFSI, Plaintiffs had never  
17 authorized use of the RTJ Marks for use in any sort of apparel.  
18 Jones maintains that the RTJ brand is considered a premium brand,  
19 and that its name is associated with luxury goods, such as Rolex  
20 watches and Lexus automobiles. Plaintiffs claim that maintenance  
21 of the high-end status of the RTJ brand was a paramount concern  
22 when they negotiated the Agreement with GFSI.

23 According to Plaintiffs, three provisions of the Agreement  
24 were designed to preserve the integrity of the RTJ Marks and brand

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26 <sup>1</sup>Unless otherwise noted, references to Defendant's Exhibits  
27 ("Def.'s Ex.") or Plaintiffs' Exhibits ("Pls.' Ex.") refer to those  
exhibits entered into evidence during the hearing on this Motion  
before the Court on January 24, 2008.

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1 by limiting the channels of distribution. Section 13 provides:

2 LICENSEE warrants it will not use the Licensed  
3 Products for sales to Mass Retailers, Clubs or  
4 discount stores except as permitted by Sections  
5 (2.10) and (6) of this Agreement without prior  
written consent of RTJ2.

5 Section 2.10 provides:

6 "Secondary Market(s)" means a LICENSEE customer  
7 that LICENSEE customarily sells defective,  
8 irregular, seconds or overstocks of products,  
9 such as The Paradies [sic] Shops (d/b/a PGA Tour  
10 Shop Stores), Burlington Coat Factory, Bermo  
Enterprises, Gabriel Brothers or the like.  
Defective, irregular, seconds, or overstocks  
11 cannot be sold to "Mass Retailers" such as Wal-  
Mart, K-Mart, Ames, Value City, Dollar General  
and Dollar Stores or "Clubs" such as Costco or  
Sam's or like stores.

12 Section 6.3 states, in part:

13 LICENSEE shall not except as provided in this  
14 Section (6.3) sell, display, market, distribute  
15 or use for any purpose or permit any third party  
16 to sell, display, market, distribute or use for  
17 any purpose any Licensed Products or promotional  
18 and packaging material relating to the Licensed  
19 Products that are damaged, defective, seconds,  
20 or otherwise fail to meet RTJ2's specifications  
or quality standards or the trademark and  
copyright usage and notice requirements of this  
Agreement. Should LICENSEE elect to sell such  
product to Secondary Markets, LICENSEE shall  
remove any and all Licensed Rights  
identification from the garment prior to sales,  
display or distribution.

21 Def.'s Ex. 1.

22 Plaintiffs brought this Motion because GFSI has sold products  
23 bearing the RTJ Marks to a number of stores which Plaintiffs  
24 contend are "discount stores," as that term is used in the  
25 Agreement, thus violating Section 13, and causing immediate and  
26 irreparable harm to the RTJ brand. The stores in question are  
27 Gabriel Brothers, Hockabee's, Steinmart, The Golf Warehouse

1 ("TGW"), Sym's, Neiman Marcus Last Call, T.J. Maxx, and Ross.  
2 With the exception of TGW and Hockabee's, GFSI has not sold to  
3 these retailers since the Fall of 2006, and, although it disputes  
4 that any of these stores are "discount retailers," agreed not to  
5 sell any RTJ apparel to them after Plaintiff raised the issue in  
6 July 2007. Larry Graveel, the President of GFSI, testified that  
7 since this dispute began, he has made notes in the GFSI customer  
8 database indicating that GFSI will no longer accept orders for RTJ  
9 apparel from Hockabee's. Graveel further testified, however, that  
10 GFSI intends to continue selling RTJ apparel to TGW, and does not  
11 believe that TGW is a discount store.

12 Plaintiffs also allege that GFSI is selling damaged or  
13 defective goods bearing the RTJ Marks out of its warehouse during  
14 "dock sale" events and at its own outlet store, in violation of  
15 Section 6.3 of the Agreement. Graveel testified that the dock  
16 sales are only open to GFSI employees. Plaintiffs' private  
17 investigator, Jimmy Kidd, is not a GFSI employee, however, and  
18 testified (by sworn declaration) that he was able to enter the  
19 GFSI warehouse during a dock sale and purchase a number of  
20 defective shirts with the RTJ Marks, which Plaintiffs also  
21 provided to the Court. See Pls.' Exs. 5, 6.

22 During the hearing on this matter, the parties attempted to  
23 reach a satisfactory resolution that would not require further  
24 action from the Court. GFSI agreed that pending final disposition  
25 of the law suit by agreement of the parties or by an order of the  
26 Court, it would not sell any apparel bearing the RTJ Marks to  
27 Gabriel Brothers, Hockabee's, Steinmart, Sym's, Neiman Marcus Last  
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1 Call, T.J. Maxx, or Ross. GFSI further agreed that it would  
2 monitor the dock sales to assure that it was not selling defective  
3 merchandise bearing the RTJ Marks. Despite this, the parties  
4 could not reach an agreement regarding GFSI's sales to TGW.  
5 Plaintiffs maintain that TGW is a discount store, and that sales  
6 to TGW violate the Agreement. GFSI disagrees that TGW is a  
7 discount store, and refuses to stop sales to TGW. The parties  
8 therefore submitted the issue to the Court.

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10 **III. LEGAL STANDARD**

11 Injunctive relief is available to the plaintiff in a  
12 trademark infringement dispute. See 15 U.S.C. § 1116. In this  
13 Circuit, a plaintiff must show "either: (1) a combination of  
14 probable success on the merits and the possibility of irreparable  
15 harm; or (2) that serious questions are raised and the balance of  
16 hardships tips in its favor." A&M Records v. Napster, Inc., 239  
17 F.3d 1004, 1013 (9th Cir. 2001). These two alternatives "are not  
18 separate tests but the outer reaches of a single continuum."  
19 Regents of Univ. of Cal. v Am. Broad. Cos., Inc., 747 F.2d 511,  
20 515 (9th Cir. 1994). "Essentially, the trial court must balance  
21 the equities in the exercise of its discretion." Int'l Jensen,  
22 Inc. v. MetroSound U.S.A., Inc., 4 F.3d 819, 822 (9th Cir. 1993).

23

24 **IV. DISCUSSION**

25 **A. Success On The Merits**

26 Success on the merits in a trademark infringement dispute  
27 requires the plaintiff to show ownership of a valid, protectible

1 mark, and that defendant's use of the mark is likely to cause  
2 consumer confusion.<sup>2</sup> See Charles Schwab & Co. v. Hibernia Bank,  
3 665 F. Supp. 800, 803 (N.D. Cal. 1987).

4 Here, RTJ2's ownership of valid marks is not in dispute. The  
5 RTJ Marks are registered, entitling them to a presumption of  
6 validity. See Jones Decl. ¶ 15; 15 U.S.C. §§ 1057(b), 1115(a)  
7 (registration is *prima facie* evidence of validity and right to  
8 enforce). GFSI does not appear to contest either the ownership or  
9 validity of the RTJ Marks.

10 The determining factor, then, is the likelihood of consumer  
11 confusion about the source of the goods. In a traditional  
12 trademark infringement suit, the court determines the likelihood  
13 of confusion according to the eight factors established in AMF,  
14 Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979).  
15 See Jada Toys, Inc. v. Mattel, Inc., 496 F.3d 974, 979 (9th Cir.  
16 2007). In a dispute between a licensee and licensor, however, the  
17 inquiry is different. There is no need to compare RTJ2's marks or  
18 products with GFSI's - they are identical by virtue of the  
19 Agreement. See Hollywood Athletic Club v. GHAC-CityWalk, 938 F.  
20 Supp. 612, 614-15 (C.D. Cal. 1996). "Where a licensee persists in  
21 the unauthorized use of a licensor's trademark, courts have found  
22 that the continued use alone establishes a likelihood of consumer  
23 confusion." Sun Microsystems v. Microsoft Corp., 999 F. Supp.  
24 1301, 1311 (N.D. Cal. 1998) (citing Paisa, Inc. v. N & G Auto,  
25 Inc., 928 F. Supp. 1009, 1012 n.4 (C.D. Cal. 1996); Hollywood

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27       <sup>2</sup>Although RTJ2 has other claims in this suit, the Motion only  
addresses the claim for trademark infringement.

1       Athletic Club, 938 F. Supp. at 614-15 (C.D. Cal. 1996)). This is  
2 the core of the dispute.

3       In their brief, Plaintiffs point to substantial authority  
4 holding that unauthorized use of the licensor's mark by a licensee  
5 necessarily causes confusion, and is therefore sufficient  
6 likelihood of success on the merits to justify injunctive relief.  
7       See Mot. at 19 (citing Paisa, 928 F. Supp. at 1012 n.4; Hollywood  
8 Athletic Club, 938 F. Supp. at 614-15; Church of Scientology Int'l  
9 v. Elimira Mission of the Church of Scientology, 794 F.2d 38 (2d  
10 Cir. 1986). The matter before the Court now differs from those  
11 cases in a significant way, however. In each case RTJ2 cites, the  
12 license agreement had been terminated before the licensor sought  
13 injunctive relief. See Paisa, 928 F. Supp. at 1011; Hollywood  
14 Athletic Club, 938 F. Supp. at 615; Church of Scientology, 794  
15 F.2d at 42. Here, RTJ2 has not terminated the Agreement, so  
16 GFSI's continued use of the RTJ2 Marks is not inherently  
17 unauthorized.

18       The Court therefore must determine whether, by selling RTJ  
19 apparel to TGW, GFSI is breaching the Agreement.<sup>3</sup> Whether GFSI is  
20 in breach turns on whether TGW is a "discount store" as used in  
21 the Agreement. While arguing before the Court, Plaintiffs'  
22 counsel stated, "Everybody knows what a discount store is." Were  
23 that the case, this would be much less complicated.

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<sup>3</sup>The Court focuses only on the sales to TGW because, as noted  
26 above, GFSI agreed during the hearing to cease sales of RTJ apparel  
27 to Gabriel Brothers, Huckabee's, Steinmart, Sym's, Neiman Marcus  
Last Call, T.J. Maxx, and Ross pending the resolution of this suit,  
and to monitor the dock sales.

1 Unfortunately, the parties did not define that term in the  
2 Agreement, and now advocate different definitions. Neither  
3 definition is well-articulated.

4 At different points during his testimony, Graveel variously  
5 defined a discount store as containing some combination of the  
6 following attributes: it sells a broad assortment of products, is  
7 "promotionally minded," relies on Sunday circular ads, generally  
8 is of a certain (undefined) square footage, uses ads to bring in  
9 customers, profits through a high volume of low-margin sales,  
10 sells general merchandise, sells both "hard" and "soft" products,  
11 and uses weekly ads. Graveel named a number of stores, none of  
12 which is at issue here, that he considers discount stores,  
13 including Target, K-Mart, Wal-Mart, Myers, Sears, and Value City.  
14 According to Graveel, neither TGW nor any of the stores relevant  
15 to this Motion is a discount store. Graveel claimed his  
16 definition was standard in the retail apparel industry, in which  
17 he has worked for decades.<sup>4</sup>

18 Claiming no special knowledge of the apparel industry or  
19 retail marketing in general, Jones testified that a discount store  
20 is a store where goods are offered below retail store prices. He  
21 did not define "retail store," however. When asked about a number  
22 of specific stores, including Nordstrom, Bloomingdale's,  
23 Dillard's, and JC Penney, Jones was, at first, uncertain whether  
24 those stores were retail stores or discount stores. Then he

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26 <sup>4</sup>Curiously, this is a different test for determining whether a  
27 retailer is a discount store than GFSI advanced in its brief. See  
Opp'n at 9-10 (citing In re City Stores Co., 9 B.R. 717, 720-21  
(Bankr. S.D.N.Y. 1981)).

1 recalled that someone had told him some of the stores in question  
2 were retail stores. He said that TGW is a discount store, because  
3 other RTJ2 employees, including Bill Fugasy and Tali Jones, had  
4 told him that TGW is a discount store.

5 These definitions amount to "I know it when I see it," which  
6 is no better a means for determining whether a store is a discount  
7 store than it is for determining whether speech is obscene.

8 Compare Jacobellis v. Ohio, 378 U.S. 184, 197 (1964)(Stewart, J.,  
9 concurring); with Miller v. California, 413 U.S. 15, 24 (1973).  
10 The Court noted this during the hearing and asked the parties for  
11 parol evidence supporting their proposed definitions. See Consol.  
12 World. Invs., Inc. v. Lido Preferred, Ltd., 11 Cal. Rptr. 2d 524,  
13 526-27 (1992) ("One exception to the parol evidence rule is that  
14 extrinsic evidence may be introduced to explain the meaning of  
15 ambiguous contractual language.").<sup>5</sup> Plaintiffs repeatedly  
16 asserted that they had substantial evidence proving conclusively  
17 that TGW is a discount store, including print-outs of pages from  
18 the TGW website, but offered no parol evidence supporting their  
19 definition. Without a definition, the additional evidence is of  
20 no help. GFSI offered a definition from Wikipedia.com, to which  
21 RTJ2 objected. The Court sustained the objection. The parties'  
22 intent upon entering the Agreement is unclear. Jones testified  
23 that he believed the parties shared an understanding about what

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25 <sup>5</sup>The Court follows California contract law, pursuant to the  
choice-of-law provision in Section 18.7 of the Agreement. See  
Paracor Fin., Inc. v. Gen. Elec., 96 F.3d 1151, 1164 (9th Cir.  
26 1996) (court applies forum state's choice-of-law rules); Nedlloyd  
Lines B.V. v. Superior Court, 3 Cal. 4th 459, 464 (Cal. 1992)  
27 (California recognizes contractual choice-of-law provisions).

1 discount stores were and about limiting sales of RTJ apparel to  
2 "high-end" stores. Graveel testified that GFSI never would have  
3 entered the Agreement if the definition of "discount store" RTJ2  
4 now advances had applied at the time.

5 The very limited testimony about what has transpired since  
6 the Agreement went into effect is the only available evidence of  
7 value. See Kennecott Corp. v. Union Oil Co., 242 Cal. Rptr. 403,  
8 410 (Ct. App. 1987)(citations omitted) ("The conduct of the  
9 parties after execution of the contract and before any controversy  
10 has arisen as to its effect affords the most reliable evidence of  
11 the parties' intentions."). Graveel testified that GFSI has been  
12 selling RTJ2 apparel to the stores, including TGW, that Plaintiffs  
13 now challenge since the Agreement went into effect, without  
14 objection. Jones claims that he was unaware of the extent of  
15 these sales until he received a letter describing these customers  
16 in July 2007, see Pls.' Ex. 4, and that he immediately sought to  
17 stop GFSI from making further sales. Jones himself may not have  
18 known about the prior sales, but Graveel testified that GFSI  
19 disclosed all of these sales to Tali Jones, another RTJ2  
20 executive, during regular meetings. Further, Jones knew that RTJ2  
21 was selling some merchandise to these stores, but not the extent  
22 of the sales. When he, apparently, thought the sales were of  
23 small quantities, Jones did not object, suggesting that Plaintiffs  
24 did not view sales to TGW and the other stores in question as per  
25 se violations of the Agreement.

26 On the record available, the Court cannot conclude that TGW  
27 is a discount store, as that term is used in the Agreement. Nor

1 can the Court conclude that RTJ2 is likely to provide sufficient  
2 evidence for the Court to make that determination when the case  
3 proceeds. As such, the Court rules that RTJ2 has failed to make  
4 the required showing that it is likely to succeed on the merits,  
5 which weighs against granting the requested injunctive relief.<sup>6</sup>

6       **B. Irreparable Harm**

7       The above analysis compels the same conclusion with regard to  
8 irreparable harm. See Goto.com, Inc. v. Walt Disney Co., 202 F.3d  
9 1199, 1205 n.4 (2000) ("In a trademark infringement claim,  
10 irreparable injury may be presumed from a showing of likelihood of  
11 success on the merits. This presumption effectively conflates the  
12 dual inquiries of this prong into the single question of whether  
13 the plaintiff has shown a likelihood of success on the merits.")  
14 (internal citation and quotation marks omitted). All of  
15 Plaintiffs' arguments that it is suffering, or will suffer,  
16 irreparable harm are based on its claim that GFSI is distributing  
17 RTJ apparel to discount stores without authorization. Because  
18 Plaintiffs have failed to prove the breach, however, they cannot  
19 prove the irreparable harm.

20       First, Plaintiffs argue that in a dispute between a licensee

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21       <sup>6</sup>The Court does not rule that Defendant's proposed definition  
22 (or either of them) is the correct interpretation of the term  
23 "discount store" in the Agreement, as a matter of law. The record  
24 is not sufficient for such a ruling. The Court notes that  
25 Graveel's definition includes stores such as K-Mart and Wal-Mart,  
which are included in the grouping "Mass Retailers" in the  
Agreement. Graveel's definition therefore would conflate "Mass  
Retailer" with "discount store", making one of those terms  
meaningless, even though they are used distinctly in the Agreement.  
Before this matter concludes, the parties will have to provide the  
Court with adequate parol evidence to support a conclusive  
determination of that issue.

1 and a licensor, the presumption of irreparable harm favors the  
2 licensor even more strongly than it does in a normal trademark  
3 dispute. See Mot. at 21. Plaintiffs' authorities on this point  
4 are the same cases they relied on to support their position  
5 regarding likelihood of confusion. See id. (citing Hollywood  
6 Athletic Club, 938 F. Supp. at 615; Church of Scientology, 794  
7 F.2d at 42). For the reasons noted above, these cases are  
8 inapplicable. It may be the case that if Plaintiffs had proven  
9 they were likely to prevail on the merits, i.e., likelihood of  
10 confusion, their position as licensors would entitle them to a  
11 favorable presumption of irreparable harm. The Court does not  
12 reach that conclusion here, however, because Plaintiffs failed in  
13 the first instance.

14 Beyond the presumption of irreparable harm, Plaintiffs also  
15 argue that there is an actual harm. See Mot. at 21-22. The  
16 purported actual harm, however, is still rooted in violation of  
17 the Agreement. Plaintiffs cite to Section 12.9 of the Agreement,  
18 which provides:

19 LICENSEE agrees that the Licensed Rights possess  
20 special, unique, and extraordinary  
21 characteristics which make difficult the  
assessment of the monetary damages which RTJ2  
would sustain by unauthorized use and that  
irreparable injury would be caused to RTJ2 by  
unauthorized use of the Licensed Rights.  
LICENSEE agrees that injunctive and other  
equitable relief would be appropriate in the  
event of a breach of this Agreement by LICENSEE,  
provided, however, that such remedy shall not  
exclude any other legal remedies otherwise  
available.

26 Def.'s Ex. 1. To trigger this provision, however, Plaintiffs  
27 would have to demonstrate a breach.

1 Plaintiffs also rely on a letter in which Graveel stated, "I  
2 continue to express my opinion that having your brand in those  
3 stores in significant quantities over time is not a good thing for  
4 your brand image and not a good thing for my profitability, so we  
5 are both negatively impacted." Pls.' Ex 4. That sales in certain  
6 markets may be bad for the RTJ brand image is not inherently the  
7 same as irreparable harm. Defendant admits that the business  
8 arrangement between the parties was not going well for either  
9 side, and in fact, sought to terminate the Agreement. See id.  
10 Nothing in Graveel's letter indicates what "significant  
11 quantities" means, or how long a period of time it would take to  
12 hurt the brand. The letter clearly does not admit irreparable  
13 harm, nor does it admit a breach of the Agreement.

14 Finally, Plaintiffs, again relying on the holding in Church  
15 of Scientology, argue that a licensor need not show actual harm to  
16 justify injunctive relief, as long as they can show loss of  
17 control over the brand's reputation. See Mot. at 22. If all of  
18 GFSI's sales are authorized by the Agreement, however, the Court  
19 cannot conclude that Plaintiffs are not in control of their marks  
20 or reputation. In Church of Scientology, the loss of control  
21 stemmed from a former licensee's unauthorized use of the mark.  
22 See Church of Scientology, 794 F.2d at 42. Plaintiffs did not  
23 terminate the Agreement, despite an apparent request from GFSI to  
24 do so.

25 Until RTJ2 either provides adequate evidence to support its  
26 interpretation of the Agreement or proves that it is suffering  
27 actual injury regardless of purported breach of the Agreement, the  
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1 Court cannot conclude that it is suffering an irreparable harm.

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3 **v. CONCLUSION**

4 Because Plaintiffs have failed to carry their burden of  
5 proving either a likelihood of success on the merits or  
6 irreparable harm, the Court need not reach the questions of the  
7 balance of hardships or the public interest. For the reasons  
8 described above, the Court hereby DENIES Plaintiffs' Motion for  
9 Preliminary Injunction.

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IT IS SO ORDERED.

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February 4, 2008

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UNITED STATES DISTRICT JUDGE